

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 15911
ORDER NO. R-20252**

**APPLICATION OF BLACK RIVER WATER MANAGEMENT COMPANY, LLC
TO AMEND ADMINISTRATIVE ORDER SWD-1695 FOR A SALT WATER
DISPOSAL WELL LOCATED IN EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on December 21, 2017, at Santa Fe, New Mexico, before Examiners Scott Dawson and Phillip R. Goetze.

NOW, on this 4th day of December 2018, the Division Director, having considered the testimony, the record and the recommendations of Examiner Goetze,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Black River Water Management Company, LLC (the "Applicant") seeks an order approving the modification of the tubing size for an Underground Injection Control (UIC) Class II well with an approved administrative order granting authority to inject. The UIC Class II well (the "Subject Well") is the Rustler Breaks SWD Well No. 3 (API No. 30-015-44303) authorized to inject under administrative order SWD-1695, issued September 15, 2017, with a surface location 1798 feet from the South line and 1624 feet from the East line (Unit J) in Section 24, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico.

(3) Applicant seeks a modification of the tubing size for the Subject Well by amending the administrative order to approve the use of 5½-inch tubing in the existing well. The Applicant stated the modification of the tubing size would result in a significant decrease of tubing friction while increasing the disposal capacity of the Subject Well.

(4) Applicant appeared at the hearing through counsel and presented engineering evidence to the effect that:

- (a) the Applicant is an operator of multiple disposal wells in New Mexico in support of the oil and gas operations of MRC Energy Company;
- (b) the Subject Well has been completed as proposed in the application for administrative order SWD-1695;
- (c) based on Applicant's Form C-105 for the subject well, the final depths of the permitted open-hole injection interval extends from 13,610 feet to 14,499 feet below surface;
- (d) there are no existing wells that penetrate the Devonian formation within a one-mile radius of the Subject Well;
- (e) the use of a larger 5½-inch tubing with BTC couplings will decrease friction loss by as much as 85 percent and provide for increased capacity for disposal of UIC Class II fluids into the deeper Devonian formation;
- (f) this additional capacity would increase disposal efficiency offsetting the need for new deep disposal wells to be completed in the same Devonian interval;
- (g) the Applicant performed numerous nodal analysis evaluations using a variety of injection rates and multiple tubing configurations which verified the selection of the 5½-inch tubing size;
- (h) the 5½-inch tubing size would allow an average injection rate to increase to approximately 35000 barrels of water per day (BWPD) with a relatively small increase in the reservoir pressure over the projected lifespan of disposal activity;
- (i) an assessment of reservoir pressure increase with an injection rate of 40000 BWPD for 20 years of operation should not impact the reservoir pressures for similar disposal operations in the same formation located within one mile of the Subject Well;
- (j) the installation of 5½-inch, 20 pounds per foot (lb/ft) tubing (with 6.05-inch outside diameter (OD) couplings) inside of 7⅞-inch (OD), 33.7 lb/ft casing (with an interior diameter of 6.765 inches) provides a difference in diameter of approximately 0.715-inch annular clearance at tubing couples and approximately 1.265

inches between the interior of the 7 $\frac{5}{8}$ -inch (OD) casing wall and the exterior wall of the 5 $\frac{1}{2}$ -inch tubing body;

- (k) the deviation log for the Subject Well showed a vertically straight completion with no abnormal departures (such as “doglegs”) in the wellbore;
- (l) that the estimated radius of maximum injection fluid migration following 20 years of disposal operation at 40000 BWPD would be approximately eight-tenths of one mile;
- (m) the proper well completion and the available annular space of the 5 $\frac{1}{2}$ -inch tubing inside 7 $\frac{5}{8}$ -inch production casing would be sufficient to allow the extraction of any lost tubing with standard fishing tools including modified overshot tools;
- (n) the Applicant provided additional reduction in the risk associated with unrecoverable tubing by extending the 7 $\frac{5}{8}$ -inch production casing to surface, thereby protecting tubing from external wellbore and formation fluids and eliminating potential interference from liner hangers; and
- (o) the Applicant provided notice of this application to “*affected persons*” by certified mail, return receipt requested and with publication in a newspaper of general circulation in the county.

(5) The Applicant met with the Division following the hearing on December 21, 2017, and provided additional geologic and engineering data requested by the Examiners. This presentation for the Examiners involved interpretations based on proprietary data. Subsequently on February 22, 2018, the Applicant, through counsel, provided statements in affidavits that summarized the presentations without the inclusion of the proprietary data for inclusion in the record. These statements concluded:

- (a) that based on the application of an industry-recognized, risk assessment model (the *Fault Slip Potential* software tool; Stanford Center for Induced and Trigger Seismicity; 2017) with Applicant’s proprietary 3-D seismic data, there was an extremely low probability of any induced-seismic event occurring during the operational lifespan of injection activity for the Subject Well; and
- (b) that as a result of the increased radius of fluid migration, the Applicant provided evidence of notification of this application to all “*affected persons*” within a one-mile radius of the Subject Well.

(6) No other party appeared at the hearing, or otherwise opposed the granting of this application.

The Division concludes as follows:

(7) The Division is responsible for the orderly development and production of hydrocarbon resources including the authority to regulate the disposition of produced water as described in NMSA 1978, Section 70-2-12(B)(15). It is obligated to prevent waste, to protect correlative rights, and to protect human health and the environment.

(8) The Division supports the use of Devonian and Silurian formations as suitable disposal intervals to lessen the potential impact upon production of hydrocarbon resources and associated correlative rights that occur in shallower Permian formations. The Division recognizes the necessity to increase the efficiency of these deeper disposal wells with their increased cost associated with the deeper disposal interval.

(9) Under Division Order No. R-14392 (Case No. 15654), the Division determined that the increase in tubing size and the corresponding increase in injection rates required additional information not previously incorporated into an administrative application for tubing modifications. This included, but was not limited to, the following specific subjects:

- (a) the potential cumulative impacts to a common injection interval utilized by multiple disposal wells in close proximity;
- (b) the consideration that the area of review for penetrating wells based on a one-half mile radius from the disposal well's surface location was adequate;
- (c) the consideration that the notification of affected persons based on a one-half mile radius from the disposal well's surface location was protective of correlative rights;
- (d) addressing the induced-seismicity issue, especially with regards to the potential impacts of increased injection volumes into reservoirs with faulting and the determination of a lower confining layer to ensure injection fluids do not migrate out the permitted interval; and
- (e) the use of the larger diameter tubing in UIC Class II wells and the development of "best management practices" for all future applications with similar requests.

(10) The Applicant offered evidence or testimony to sufficiently respond to the items of concerns brought forth by the Division in its findings in Division Order No. R-14392. This included expanding the area of reviews for penetration wells and notification

and conducting a risk assessment for the potential of induced seismicity related to the Subject Well's operation with a larger disposal rate.

(11) The Division also notes the Oil Conservation Commission in Case No. 15654 *de novo* and the resulting Order No. R-14392-A that these responses for this application are specific to a unique disposal well and would be considered based on its own merits.

(12) To avoid the drilling of additional wells, protect correlative rights, and prevent waste while affording the Applicant the opportunity to fully utilize the disposal potential of the Subject Well in a manner that safeguards the public health and the environment, this application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application by Black River Water Management Company, LLC (the "Operator") seeking the use of internally-coated, 5½-inch OD tubing in the Rustler Breaks SWD Well No. 3 (API No. 30-015-44303, the "Subject Well") with a surface location 1798 feet from the South line and 1624 feet from the East line (Unit J) in Section 24, Township 23 South, Range 27 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) The Division further stipulates the following "best management practices" shall be included as conditions of the approved application:

- (a) The Operator shall complete a step-rate test prior to commencing injection with the new tubing in place and after completing a successful mechanical integrity test.
- (b) The Subject Well shall be included in a Supervisory Control and Data Acquisition (SCADA) system for operation as an injection well.
- (c) The Operator shall first contact the Division's District II supervisor for approval of proposed remedial actions prior to initiating any recovery attempts should a failure of tubing occur with a loss of a tubing section within the Subject Well.
- (d) If the Subject Well fails a mechanical integrity test or if there is evidence that the mechanical integrity of said well is impacting correlative rights, the public health, any underground sources of fresh water, or the environment, the Division Director shall require the well to be shut-in within 24 hours of discovery and the operator shall redirect all disposal waters to another facility. The operator shall take the necessary actions to address the impacts resulting from the mechanical integrity issues in accordance with Division

Rule 19.15.26.10 NMAC, and the well shall be tested pursuant to Rule 19.15.26.11 NMAC prior to returning to injection.

- (e) The Operator shall review the well performance every fifth calendar year (five-year cycle initiated with the commencement of injection with the new tubing size). This evaluation shall consider, at a minimum, any pressure increases in the reservoir, a review of the accuracy of induced-seismicity risk assessment model using data obtained during the operation of the Subject Well, and a brief summary of any issues that required modification of the well's operation.
 - (f) The Operator shall submit all well tests and performance reports to Division's District II attached to a Form C-103 and made part of the well file for future availability.
- (3) All provisions of this order shall be transferable and shall remain in full force and effect with any assignment of the Subject Well to a new operator.
- (4) All other provisions of administrative order SWD-1695 remain in full force and effect.
- (5) Based on the current casing design, the Division shall not consider any future application for an increase in the tubing size greater than 5½-inch OD for the Rustler Breaks SWD Well No. 3.
- (6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


HEATHER RILEY
Director